

A18 - Tendering Policy

1. Purpose of policy

This policy deals with the tendering for all types of expenditure undertaken by Andium Homes, including:

- ◆ Acquisitions of land (described in section 4.1)
- ◆ Capital and refurbishment projects (described in section 4.2)
- ◆ Other expenditure (described in section 4.3)
 - ◆ Planned maintenance expenditure
 - ◆ Response repair and void refurbishment expenditure
 - ◆ Other operational expenditure

2. Introduction

The objectives of the policy are to ensure that high quality works, goods and services are obtained that represent value for money.

The Company aims to treat tenderers and contractors supplying quotes in a fair, consistent and timely manner.

3. Matters reserved for the Board

Matters reserved for the Board relevant to the tendering policy are as follows:

- ◆ Responsibility for the overall leadership of the Company and setting the Company's values and standards
- ◆ Approvals of the Strategic Business Plan, including the annual operational and capital expenditure budgets and any material changes to them
- ◆ Review of performance in the light of the Company's strategic aims, objectives, business plans and budgets and ensuring that any necessary corrective action is taken
- ◆ Approval of major capital projects and oversight over execution and delivery in line with the approved Tendering Policy
- ◆ The Board may give delegations to the Capital Programme Sub Group for all, or some, of the Board's functions under this Tendering Policy for all, or some, capital projects approved within the current Strategic Business Plan
- ◆ Any delegated approvals taken by the Capital Programme Sub Group shall be reported to the next Board meeting for information
- ◆ Contracts which are material strategically or by reason of size, entered into by the Company in the ordinary course of business, for example, acquisitions or disposals of fixed assets in line with the approved Tendering Policy*
- ◆ Contracts of the Company not in the ordinary course of business, for example major acquisitions or disposals in line with the MoU (Memorandum of Understanding between Andium Homes and the Guarantor)
- ◆ Approval of key policies including the Tendering Policy

*The Board has reserved responsibility to approve contracts that are material strategically or by reason of size. This includes the following contracts:

- ⦿ Kitchen replacement contract
- ⦿ Bathroom replacement contract
- ⦿ Response repair contract
- ⦿ Void property contract
- ⦿ Landscaping contract
- ⦿ Cleaning contract
- ⦿ Decoration contract

Such contracts will be procured as set out in section 5 (if less than £100,000) or 6 (if over £100,000), with approval sought from the Board prior to entering in to the contract.

4. Types of expenditure

There are 3 broad types of expenditure being:

- ⦿ Acquisitions of land (see section 4.1)
- ⦿ Capital and refurbishment projects (see section 4.2)
- ⦿ Any other expenditure (see section 4.3).

4.1. Acquisitions of land

Material acquisitions of land are subject to Board approval. This includes acquisitions of land from the private market and transfers from the States of Jersey.

Where financing is required to fund the acquisition, an appropriate funding method must be available prior to entering in to a contract or other such agreement to take ownership of land.

4.2. Capital and refurbishment projects

These are generally high value and long term projects to deliver new homes or refurbish existing homes. These projects require the completion of feasibility studies, design teams, etc. An overview of the project life cycle is noted in the flow chart below.

Project life cycle	
1.	Initial project assessment (“IPA”) <ul style="list-style-type: none"> ⦿ High level document setting out the project background, objectives, key performance indicators, outline options, required consultants and budget estimates.
2.	Approval for project to go to feasibility stage. <ul style="list-style-type: none"> ⦿ This is predominantly achieved through the Board’s approval of the Strategic Business Plan but separate approval can be obtained. Approval can also be provided by the Chief Executive, Finance Director or the Capital Programme Sub Group ⦿ The associated budget is allocated on QL following approval by the Finance Director.
3.	Feasibility study undertaken <ul style="list-style-type: none"> ⦿ A lead consultant (usually the architect) and a design team are assembled ⦿ A feasibility study describing the outline options is completed

4. Board or, where delegated by the Board, the Capital Programme Sub Group, review feasibility study and approve project to go to detailed design stage for the preferred option. The associated budget is allocated on QL following approval by the Finance Director.
5. Detailed design undertaken <ul style="list-style-type: none"> • The lead consultant will prepare the tender plan, which will detail the planning of the project, design details, planning permissions etc. (this is also known as the detailed design phase). In addition, a pre-tender estimate will be obtained and approved by the Head of Capital Projects. • The Head of Capital Projects will prepare a procurement strategy setting out the project objectives, timescale, scope, key performance indicators, estimated cost, contract type, health and safety and environmental considerations and risk.
6. Detailed design, procurement strategy and pre-tender estimate approved by Executive Lead - Operations and Finance Director.
7. Main contractor selected and required budgets identified either through a “traditional competitive tender process” or through a “negotiated contact”. See section 6.
8. Board or, where delegated by the Board, the Capital Programme Sub Group, approves: <ul style="list-style-type: none"> • Financing and required budget for the project, and authorises the Finance Director to sign the loan agreement if applicable • Depending on the delegated approval, the Finance Director, Executive Lead - Operations or Head of Capital Projects to sign contract with preferred contractor once financing is in place
9. Financing put in place <ul style="list-style-type: none"> • Finance Director confirms to Head of Capital Projects that appropriate financing is in place, loan agreement is signed if applicable • Budget is allocated to project on QL
10. Contracts prepared by the design team and signed by Head of Capital Projects.

The Board are provided with regular updates to enable them to monitor performance, provide oversight and ensure corrective action is taken as required. This will predominantly be in the form of the Board’s review of the Business Performance Review, which is provided at least quarterly.

4.3. Other expenditure

The Board approves the high level expenditure in the Strategic Business Plan. Prior to the commencement of the financial year, the Board approves the annual operational budget.

The Board are provided with regular updates to enable them to monitor performance, provide oversight and ensure corrective action is taken as required. This will predominantly be in the form of the Board’s review of the Business Performance Review, which is provided at least quarterly.

5. Procurement

The method of procurement is dependent on the nature and value of the transaction. This section sets out the tendering policy for all types of expenditure. NB: There is no requirement to re-tender for variation works where an appointed contract stipulates the basis for such works.

Contract value	Tendering policy
Less than £15,000	<ul style="list-style-type: none"> ◆ At least 1 written quote obtained from an approved supplier, which can be in the form of an agreed schedule of works ◆ Order detailing supplier, summary of works and expected cost is raised by a Company officer on QL ◆ Order approved by an alternative company officer with authorisation limit of up to £15,000 as per the financial scheme of delegation (approval of which has been delegated by the Board to the Chief Executive) ◆ For response repair (emergency works), the order can be raised and approved by the same person up to a limit determined on the financial scheme of delegations (generally £5,000-£10,000). In these cases, invoices are approved by an alternative company officer (a manager or above). Where emergency work is requested, the Company officer requesting the works shall ensure an order is raised and given to the contractor as soon as possible and no later than midday the next working day. ◆ The authorised approver should ensure that the purchase is in line with their respected budget. Where any purchase breaches the budget limit, approval should be sought from the Head of Finance. ◆ It is at the discretion of the approver to determine the appropriate documentation required. ◆ Where more than one quotation or tender is received, these should be accepted on the basis of offering best value for money except where the quality of goods or services is a key factor. Where the best price is not selected documentation must be retained which illustrates the selection process followed and the reasons for not accepting the lowest price.
Amounts between £15,001 - £100,000	<ul style="list-style-type: none"> ◆ As above except: ◆ At least 3 written quotes obtained from an approved supplier, which can be in the form of an agreed schedule of works. ◆ There may be instances where only one or two quotes are obtained. For example, where three suppliers cannot be identified, or the project is time critical. Additionally, for consultancy work, a specific supplier may be identified as suitable because the work is of a specialist nature requiring a supplier with experience in that area. In all of these cases, obtaining references should be considered and written approval is required from the Head of Finance, or the Finance Director in relation to capital projects.
Amounts over £100,000	See section 6.

6. Procurement for projects over £100,000

A procurement strategy setting out the project objectives, timescale, scope, key performance indicators, estimated cost, contract type, health and safety and environmental considerations and risk is approved by the Finance Director.

There are two types of tendering process:

- ◆ Traditional competitive tender (see section 6.1)
- ◆ Negotiated contract (see section 6.2)

In either tender process, approval to enter in to a contract is required from:

- ◆ The Board, for matters reserved for the Board
- ◆ The Finance Director, for all other contracts

Other matters, which are common to both tendering processes, are set out in section 6.3 onwards.

6.1. Traditional competitive tender

For capital projects steps 1-6 in section 4.2 should be followed before commencing the tendering process noted below.

The Andium Homes' e-sourcing portal (the "e-portal") is used to run the tender process for projects over £100,000.

Invitations to tender

Invitations to tender are generally open invitations for all contractors who will need to meet the requirements of the pre-qualification questionnaire ("PQQ"). The PQQ sets out the required experience levels, qualifications, etc. As a minimum, 3 contractors should be invited to tender for the contract.

Tender period

Tender return times must be proportional to the complexity of the work and be clearly stated in the instructions to tenderers. Return times will range from 7 days up to 8 weeks.

In exceptional circumstances tender return times will be extended and then only with good reason. Extensions to tender return times will only be granted with the prior authorisation of the Executive Lead – Operations.

Tender documents

Tender documents are detailed documents prepared by the Company which are consistent to all tenderers. Therefore no tenderer is treated differently and it is up to the Head of Capital Projects to ensure that all information is made available to each tenderer. If additional information is requested by one tenderer and made available, it shall be made available to all tenders and a notice sent out through the e-portal advising potential tenderers as such.

Tender submissions

Tender submissions are treated as confidential and are retained on the e-portal. The document will be PDF or password protected with only the area that requires completion by the tenderer editable by the tenderer. Tenderers will be advised that only these returns will be evaluated and if they wish to submit an alternative tender they can do so separately but the evaluation of tenders will be on the returned specified documents unless otherwise stated in the tender document. This will ensure tenders are directly comparable.

Late tender submissions will not be accepted unless there is evidence that the tenderer has genuinely attempted to make a return in good time, and there is evidence that the tenderer has experienced difficulty with the e-tendering system. The decision to accept or reject a tender will lie with the Project Sponsor.

The Company does not participate in, and actively discourages other parties from improper tendering practices such as collusion, misrepresentation, and disclosure of confidential information. Tenderers found to be participating in such a practice will immediately be disqualified from tendering. The Company may recall or cancel a tender at any time.

Tender evaluation

Tenders should be evaluated on the basis of offering best value for money except where the quality of goods or services is a key factor. Where the best price is not selected documentation must be retained which illustrates the selection process followed and the reasons for not accepting the lowest price. Where this is the case, this should be approved in writing by the Finance Director.

For capital projects, a preferred supplier is selected and passed to the Board or, where delegated by the Board, the Capital Programme Sub-Group, for approval, in line with steps 7 onwards in section 4.

For expenditure contracts reserved for Board approval, noted in section 3, the preferred supplier is selected and passed to the Board for approval.

6.2. Negotiated contracts

A negotiated contract is awarded on the basis of a direct agreement with a contractor, without going through the traditional competitive tender process. Negotiation should be undertaken only where the following applies:

- There is a demonstrable lack of wider market interest in the project
- Where the contract can only be awarded to a particular contractor or where justifiable concern about over-exposure of the business to a particular contractor exists
- Where established and reputable industry standard practice would prevent value for money being obtained unless a negotiated procedure in line with that standard practice were to be adopted and value for money can be demonstrated
- In cases of extreme urgency, which must be unforeseeable for reasons beyond the control of the business, must render time limits for tendering impossible as a direct result of the unforeseeable event, but where value for money can still be justified
- Where additional repetitive or similar works or services to the original contract are needed that could not be foreseen at the point of award of the original contract.

The decision to enter into a negotiated contract process can take place at any stage of a procurement provided that contractors are treated fairly throughout and value for money is demonstrated through a written procurement strategy approved by the Finance Director or Chief Executive. Negotiated procedures may be for tenderers, for a preferred and reserve bidder or for a sole provider. The decision and reasoning to enter a negotiation should be made public knowledge so that this is transparently understood by contractors and stakeholders.

The procurement strategy should set out the negotiated procedure that shall be followed including the thresholds for demonstrating value for money within the tender (in the form of the technical and financial offers), the documents that should be produced by the parties, the timescale under which the procurement should be conducted, the guidelines for conducting the negotiation and this procurement strategy shall be adhered to during the negotiation period.

Unless there is only one potential contractor interested in and / or capable of doing the work, a preferred and reserve bidder should be invited as a minimum to negotiate to maintain competition throughout the negotiation. In the event of the preferred bidder not meeting the value for money thresholds, the reserve bidder should be considered in their stead.

For capital schemes, the selected preferred contractor may initially be engaged on a consultancy basis, in order that they can inform the design and delivery of a proposed scheme. When the design of the scheme is complete, the selected contractor should provide their contract price. To ensure value for money when using the negotiated contract process, independent cost estimates should be obtained through the design process (usually through the architect).

Should the negotiated contract sum be in excess of the cost estimates, the reasons for the difference should be investigated. If the contract sum is not considered to provide value for money, the tendering process should revert to the traditional competitive tender process set out in section 6.1).

6.3. Capital Contracts

For capital projects, steps noted in section 4 must be followed prior to entering in to a contract. This includes obtaining Board or, where delegated by the Board, the Capital Programme Sub Group, approval and ensuring financing is in place. On acceptance of the contract sum, a formal contract should be signed by both parties. The Quantity Surveyor will normally recommend the

form of contract to use. Generally capital project contracts will be Joint Construction Tribunal contracts, which are modified to the bespoke nature of the project and to reflect Jersey law.

For expenditure contracts reserved for Board approval, noted in section 3, Board approval is required prior to entering in to a contract. For all expenditure, adequate budgets must be in place prior to entering in to a contract.

6.4. Contingency Sum

Projects should include an element of contingency, generally around 10%, but this will be determined by the nature and complexity of the individual project.

6.5. Contract variation

The cost implications of every variation shall be assessed prior to the issue of the instruction, except where immediate action is necessary to prevent danger or damage or would cause significant and irretrievable disruption to the project's critical path. In such cases, the cost implications shall be assessed as soon as possible after the instruction is issued.

There are two types of variations, essential and non-essential variations; the description of each and how each is to be dealt with is given below.

Essential Variations

An essential variation is where a variation is necessary for the completion of the works in compliance with the contract. The cost of essential variations shall be set against any available contingencies or accrued savings made in the contract, or elsewhere in the project budget.

Where there is sufficient contingency, essential variations can be approved by company officers in line with their approval limits set out in the financial scheme of delegation. For all other essential variations, approval is required from the Finance Director.

The Board and, where delegated by the Board, the Capital Programme Sub Group, will be provided with regular updates on such matters, predominantly in the form of the Business Performance Review.

Non-Essential Variations

Non-essential variations are those that fall outside the definition of essential variations given above and normally concern such things as extra work not directly arising from the project but work that needs to be done and where savings can be made by doing the work while the project work is progressing. Non-essential variations will only ever be agreed if they can be contained within the original budget.

Non-Essential variations will be reported back to the Head of Capital Projects who will consider them on a case by case basis. Where the variation is over £100,000 and relates to a capital project, or a contract reserved for the Board (noted in section 3), approval will be sought from the Board, or, where delegated by the Board, the Capital Programme Sub Group, prior to entering in to the contract variation.

6.6. Exceptions to the procurement policy for contracts over £100,000

Only in exceptional circumstances should the above process not be followed in full. Where this is the case, approval should be sought from the Chief Executive and Finance Director.

6.7. Company credit cards

With approval of the Finance Director, individuals are provided with company issued credit cards with a specified spending limit. All purchases are subject to approval and require all supporting documentation to be attached prior to approval.

The use of credit cards is minimal, with only 3 credit cards in use at the time of drafting this policy.

Approved
26 February 2020